


Q4 2008 INTERIM FINANCIAL STATEMENTS

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APPROVAL BY RESPONSIBLE OFFICERS

Pursuant to the provisions of the Rules on the Preparation and Provision of Periodical and Additional Information approved by the Securities Commission of the Republic of Lithuania and the provisions of article 22 of the Republic of Lithuania Law on Securities, we, AB Lietuvos Elektrinė General Manager Pranas Noreika and Chief Financier Rolandas Jankauskas, hereby certify that, to our knowledge, the presented AB Lietuvos Elektrinė Interim Financial Statements for four quarters of 2008 have been prepared in accordance with the enforced International Financial Reporting Standards, reflect the actual situation, and constitute a correct representation of the Company's assets, liabilities, financial standing, and profit.



Pranas Noreika
General Manager



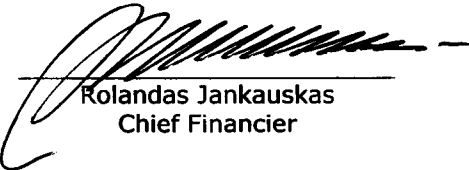
Rolandas Jankauskas
Chief Financier

February 4, 2008

BALANCE SHEET


	<i>Comments</i>	December 31, 2008 (LTL)	December 31, 2007 (LTL)
ASSETS			
Long-term assets:			
Long-term tangible assets	3	1 472 809 611	1 395 642 451
Intangible assets	4	41 989 113	8 317 388
Long-term accounts receivable		948 812	1 095 762
Deferred profit tax assets		320 394	243 736
Assets due to future pollution permit trade related transactions		1 655 959	-
Total long-term assets		1 517 723 889	1 405 299 337
Short-term assets:			
Inventories		72 098 950	21 749 315
Accounts receivable and prepaid expenses		35 568 413	26 998 989
Cash and cash equivalents		59 554 305	115 452 479
Total short-term assets		167 221 668	164 200 783
TOTAL ASSETS		1 684 945 557	1 569 500 120
OWNERS' EQUITY AND LIABILITIES			
Owners' equity:			
Share capital		145 800 689	145 800 689
Revaluation reserve		650 111 916	664 668 688
Statutory reserve		13 709 665	9 615 437
Other reserves		151 175 158	78 437 483
Revaluation reserve of unused CO2 emission rights	5	-	-
Retained earnings		21 966 276	81 884 565
Total owners' equity		982 763 704	980 406 862
Grants and subsidies	6	361 822 542	270 244 320
Long-term liabilities:			
Bank loans	7	144 206 192	113 106 432
Deferred profit tax liabilities		116 519 590	119 248 168
Total long-term liabilities		260 725 782	232 354 601
Short-term liabilities:			
Trade accounts payable and other payable amounts	8	76 015 839	80 032 810
Labour related liabilities		3 617 690	2 477 506
Current year profit tax		-	3 702 598
Pollution quota liabilities	5	-	274 726
Financial leasing		-	6 696
Total short-term liabilities		79 633 529	86 494 337
TOTAL OWNERS' EQUITY AND LIABILITIES		1 684 945 557	1 569 500 120


Pranas Noreika
General Manager


Rolandas Jankauskas
Chief Financier

PROFIT (LOSS) ACCOUNT

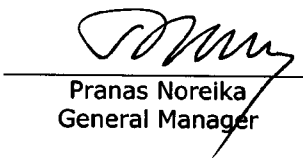
	<i>Comments</i>	December 31, 2008 (LTL)	December 31, 2007 (LTL)	3 months period ended 31 December 2008 (LTL)	3 months period ended 31 December 2007 (LTL)
Sales revenue	9	387 735 876	262 227 573	79 073 101	66 833 276
Costs of sales	10	(366 945 402)	(244 859 888)	(89 130 835)	(77 225 092)
Gross profit (loss)		20 790 473	17 367 686	(10 057 735)	(10 391 816)
Operating costs	12	(25 190 946)	(16 984 736)	(13 807 158)	(4 158 865)
Other operating revenue	13	7 853 999	42 830 681	5 473 969	599 720
Other operating costs	13	(1 779 164)	(1 364 484)	(372 130)	(355 684)
Interest revenue		1 139 917	1 910 401	173 251	1 220 562
Operating profit (loss)		2 814 279	43 759 548	(18 589 802)	(13 086 083)
Financing costs	14	(1 109 977)	(196 133)	(516 083)	(183 675)
Effect of change in the currency exchange rate		4 698 799	(1 095 636)	4 049 330	(520 611)
Profit (loss) before tax		6 403 101	42 467 779	(15 056 555)	(13 790 369)
Profit tax expenses		(2 046 259)	(8 551 069)	3 684 361	(634 078)
NET PROFIT (LOSS)		4 356 842	33 916 710	(11 372 194)	(14 424 447)
Profit (loss) per share		0,03	0,23	(0,08)	(0,10)


Pranas Noreika
General Manager


Rolandas Jancauskas
Chief Financier

CASH FLOW STATEMENT

	December 31, 2008 (LTL)	December 31, 2007 (LTL)
OPERATING ACTIVITIES		
Cash receipts from customers	392 465 025	353 631 071
Other income	3 575 500	57 123
Cash paid to suppliers and employees	(412 911 373)	(297 154 940)
Other payments	(14 863 421)	(12 933 099)
Cash generated from operations	(31 734 269)	43 600 155
Income tax paid	(4 348 367)	(8 108 911)
Interest paid	(1 109 977)	(181 525)
Net cash from operating activities	(37 192 613)	35 309 719
INVESTING ACTIVITIES		
Acquisition of long-term assets	(63 998 105)	(48 444 999)
Sale of long-term assets	777	1 055
Loans regained	146 950	152 696
Interest received	1 139 917	1 910 401
Fixed-term deposits	-	-
Net cash used in investing activities	(62 710 461)	(46 380 847)
FINANCING ACTIVITIES		
Loans received	31 099 760	65 183 336
Loans repaid	(6 696)	(39 283)
Dividends paid	(2 008 164)	(4 014)
Other financing activities (subsidiaries received)	14 920 000	-
Net cash (used) received from financing activities	44 004 900	65 140 039
Effect of foreign exchange rate changes on the cash and cash equivalents balance	-	-
Net increase (decrease) in cash and cash equivalents	(55 898 174)	54 068 912
CASH AT THE BEGINNING OF THE PERIOD	115 452 479	61 383 567
CASH AT THE END OF THE PERIOD	59 554 305	115 452 479


Pranas Noreika
General Manager


Rolandas Jancauskas
Chief Financier

STATEMENT OF CHANGES IN EQUITY

	Paid up authorised capital (LTL)	Revaluation reserve of long-term tangible assets (LTL)	Statutory reserve (LTL)	Other reserves (LTL)	Revaluation reserve of unrealised CGI emission rights	Retained earnings (LTL)	TOTAL (LTL)
Balance as of December 31, 2006	145 800 689	678 996 602	8 363 997	57 736 702	-	55 592 163	946 490 152
Net profit (loss) of the reporting period (December 31, 2007)	-	-	-	-	-	33 916 710	33 916 710
Used reserves	-	-	-	(3 055 000)	-	3 055 000	-
Formation of statutory reserve	-	-	1 251 440	-	-	(1 251 440)	-
Formation of other reserves	-	-	-	23 755 781	-	(23 755 781)	-
Decrease in the revaluation reserve due to depreciation and writing-off of devalued assets	-	(14 327 913)	-	-	-	14 327 913	-
Balance as of December 31, 2007	145 800 689	664 668 689	9 615 437	78 437 483	-	81 884 565	980 406 862
Net profit (loss) of the reporting period (December 31, 2008)	-	-	-	-	-	4 356 842	4 356 842
Formed reserves	-	-	4 094 228	75 790 337	-	(79 884 565)	-
Used reserves	-	-	-	(3 052 662)	-	3 052 662	-
Dividends	-	-	-	-	-	(2 000 000)	(2 000 000)
Decrease in the revaluation reserve due to depreciation and writing-off of devalued assets	-	(14 556 772)	-	-	-	14 556 772	-
Balance as of December 31, 2008	145 800 689	650 111 916	13 709 665	151 175 158	-	21 966 276	982 763 704


 Pranas Noreika
 General Manager


 Rolandas Janauskas
 Chief Financier

COMMENTS TO THE FINANCIAL STATEMENTS

1. General information

Pursuant to the Law of the Republic of Lithuania No. VIII-1693 dated 18 May, 2000 on Reorganisation of the Special Purpose Joint Stock Company Lietuvos Energija, the Special Purpose Joint Stock Company Lietuvos Energija was reorganised by the method of separation, i.e., by separating from the Special Purpose Joint Stock Company Lietuvos Energija, which after the reorganisation continues its activity without the "special purpose" status, the assets, rights and liabilities portions and incorporating the following new companies based on the aforementioned portions of assets, rights, and liabilities: Joint Stock Company Lietuvos Elektrinė, Joint Stock Company Mažeikių Elektrinė, Joint Stock Company Rytų Skirstomieji Tinklai, and Joint Stock Company Vakarų Skirstomieji Tinklai.

Pursuant to the Republic of Lithuania Law on the Companies' Register, AB Lietuvos Elektrinė (hereinafter referred to as the Company) was registered with the Ministry of the Economy on December 31, 2001:

- Company Reg. No.: BĮ 01-249;
- Company code: 110870933;
- VAT Reg. No.: 108709314;
- Social Insurance Fund insured Reg. No.: 853488;
- Headquarters: Elektrinės St. 21, Elektrėnai, Republic of Lithuania;
- Authorised capital: LTL 145,800,689;
- The objective of activity of the company is reliable, high-quality, and efficient production of electric and thermal power.

The prices of electric power sold by the Company are regulated by the State Commission for Prices and Energy Control. The Commission has set a price for purchase in 2008 of electric power produced by the Company, at which electric power production is necessary in order to ensure the energy system reserves, to the amount of 34.04 ct/kWh (VAT exclusive).

The Company's financial year is one calendar year. The planned term of the Company's commercial and economic activity is unlimited.

The Company is a member of the Lithuanian Electricity Association, and takes an active part in the activities of the Association, which represents common European interests with regard to electricity (EUROELECTRIC).

As of December 31, 2008, the Company employed 636 employees (as of December 31, 2007, the number of employees was 673).

The figures contained in the financial statements are expressed in the national currency of Lithuania—the litas (LTL).

2. Accounting policy

The financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS) approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), which are related to its activity and valid from the reporting period which started on January 1, 2005.

The present financial statements were drawn up in accordance with the modified acquisition value principle (due to long-term assets revaluation and environmental pollution permits, deferrals for used environmental pollution permits and the related State subsidies; and evaluation of certain financial instruments at their actual value). As of January 1, 2004 (date of passing to the IFRS), the actual value of long-term assets is deemed as the supposed cost price.

During the interim reporting period, the accounting policy was not amended. The interim financial statements were drawn up in accordance with the same accounting policy as the annual financial statements. A comprehensive description of the accounting policy is given in the explanatory note to the financial statements for the year ended December 31, 2008.

3. Tangible assets

	Buildings and structures (LTL)	Machinery and equipment (LTL)	Vehicles (LTL)	Other equipment, devices, tools, and installations (LTL)	Construction in progress (LTL)	Total (LTL)
Supposed cost price						
December 31, 2007	217 407 887	1 320 192 360	2 695 254	240 997 695	3 159 458	1 784 452 655
Financial year changes:						
- assets acquisition	-	92 299 883	34 184	12 052 722	-	104 386 789
- transferred and written-off assets (-)	(14 412)	-	(1 741)	(38 225)	-	(54 378)
December 31, 2008	217 393.475	1 412 492 243	2 727 697	253 012 192	3 159 458	1 888 785 066
Depreciation						
December 31, 2007	53 474 836	281 324 255	1 794 227	52 216 886	-	388 810 204
Financial year changes:						
- depreciation in the financial year	3 034 536	18 492 790	142 274	5 519 964	-	27 189 564
- transfer from one item to another		27 935		5		27 940
- depreciation of transferred and written-off assets (-)	(13 651)	-	(1 740)	(36 862)	-	(52 253)
December 31, 2008	56 495 721	299 844 980	1 934 761	57 699 993	-	415 975 455
Residual value as of December 31, 2007	163 933 052	1 038 868 105	901 027	188 780 809	3 159 458	1 395 642 451
Residual value as of December 31, 2008	160 897 755	1 112 647 263	792 936	195 312 199	3 159 458	1 472 809 611

All long-term assets of the Company are used in its activity. The depreciation costs reduced by the used subsidy portion are reflected at the cost price (comments 6 and 10).

4. Intangible assets

	Software (LTL)	Environmental pollution permits (comment 5) (LTL)	Other intangible assets (LTL)	Total (LTL)
Acquisition cost price				
December 31, 2007	411 797	327 715	7 927 178	8 666 689
Financial year changes:				
- assets acquisition	88 470	28 598 477	5 022 415	33 709 362
- transferred and written-off assets (-)	-			
- increase in the value of unused environmental pollution permits	-			
December 31, 2008	500 267	28 926 192	12 949 593	42 376 051
Amortisation				
December 31, 2007	349 301	-	-	349 301
Financial year changes:				
- amortisation in the financial year	37 637	-	-	37 637
- amortisation of transferred and written-off assets (-)	-	-	-	-
December 31, 2008	386 938	-	-	386 938
Residual value as of December 31, 2007	62 495	327 715	7 927 178	8 317 388
Residual value as of December 31, 2008	113 328	28 926 192	12 949 593	41 989 113

Amortisation costs are reflected at the cost price.

5. Environmental pollution limits and pollution reduction units

As of December 31, 2008, environmental pollution limits and pollution reduction units were reflected as follows:

	Environment al pollution limits (comment 4) (LTL)	Pollution reduction units (comment 4) (LTL)	Environme ntal pollution limits revaluatio n reserve (LTL)	State grants (comment 6) (LTL)	Deferrals for used environmenta l pollution limits (LTL)
December 31, 2007	327 715		-	52 988	274 726
Confirmed quantity of emitted pollution	(327 715)		-	(52 988)	(274 726)
Actual value of received state grant	45 287 422		-	45 287 422	-
Increase in value of environmental pollution permits and pollution reduction units	(21 369 260)	5 008 030	-	(16 775 220)	
December 31, 2008	23 918 162	5 008 030	-	28 512 202	-

Pursuant to the July 4, 2008 agreement concluded with GAZPROM Marketing & Trading, 88,056 environmental pollution permits were exchanged for 109,301 pollution reduction units.

6. Grants

Grant balance as of December 31, 2008, and the use thereof during the reporting period:

	Grants related to assets (fuel burning equipment and other assets) (LTL)	Grants related to assets (the project of upgrading and improvement of environmental and safety norms) (LTL)	Environmental pollution limits grants (LTL)	Total (LTL)
Grant balance as of December 31, 2006	2 505 181	148 062 951	56 385 464	206 953 596
Long-term assets depreciation (comment 3)	(374 100)			(374 100)
Received grants	-	119 997 299	49 634 105	169 631 405
Decrease in value of environmental pollution limits	-	-	(105 747 364)	(105 747 364)
Used environmental pollution limits	-	-	(219 217)	(219 217)
Grant balance as of December 31, 2007	2 131 081	268 060 251	52 988	270 244 320
Long-term assets depreciation (comment 3)	(374 222)	-	-	(374 222)
Confirmed quantity of emitted pollution	-	-	(52 988)	(52 988)
Received grants	-	63 493 230	28 512 202	92 005 432
Grant balance as of December 31, 2008	1 756 859	331 553 481	28 512 202	361 822 542

In 2008, grants related to assets (fuel burning equipment and other assets) decreased by LTL 374,222, i.e., by the amount of long-term assets depreciation (in 2007 – LTL 374,100). This amount reduced the long-term assets depreciation costs in the profit (loss) account.

In 2008, the Company received LTL 14,920,000 from the State Enterprise Ignalina Nuclear Power Plant Decommissioning Fund, whereas no grants were received in 2007. The said funds were allocated for the general financing of the project for the power plant upgrade and improvement of environmental norms.

In 2008, the Company received LTL 48,573,397 (in 2007 – LTL 119,997,299) from the International Ignalina Nuclear Power Plant Decommissioning Support Fund. The said funds were allocated for co-financing the project of construction of equipment for removal of sulphur oxides from smoke and blocking solid particles. The entire amount of said funds was used in 2008.

7. Bank loans

As of December 31, 2008, bank loans comprised the following:

	December 31, 2008 (LTL)	December 31, 2007 (LTL)
AB bankas DnB Nord, EUR, repayable by May 1, 2013	12 999 792	12 999 792
Syndicated loan (AB bankas Hansabankas, AB SEB bankas, Nordea Bank Finland Plc Lithuania Branch, AB bankas DnB Nord), LTL, repayable by November 9, 2020	<u>131 206 400</u>	<u>100 106 640</u>
	<u>144 206 192</u>	<u>113 106 432</u>

8. Trade and other repayable amounts

As of December 31, 2008, trade and other payable amounts comprised the following:

	December 31, 2008 (LTL)	December 31, 2007 (LTL)
Debts to suppliers for construction works and investments	64 663 961	63 829 474
Debts to suppliers for fuel	9 008 527	13 036 968
Debts to suppliers for inventories	343 454	248 710
Other debts for services	372 449	662 409
Payable taxes (except profit tax)	487 137	684 838
Unpaid dividends	978 377	986 541
Debts to suppliers for repair works	-	547 216
Other	<u>161 934</u>	<u>36 655</u>
Total:	<u>76 015 839</u>	<u>80 032 810</u>

9. Sales

Sales in 2008 up to December 31 comprised the following:

	December 31, 2008 (LTL)	December 31, 2007 (LTL)
Electrical power production	279 187 652	170 188 717
Cold power reserve	87 225 120	73 938 780
Thermal power	11 924 224	10 128 476
Operational reserve	<u>9 398 880</u>	<u>7 971 600</u>
Total:	<u>387 735 876</u>	<u>262 227 573</u>

10. Cost prices

Cost prices in 2008 up to December 31 comprised the following:

	December 31, 2008 (LTL)	December 31, 2007 (LTL)
Gas	266 975 564	161 398 103
Salaries and social insurance	29 982 483	25 099 648
Depreciation and amortisation costs	26 881 042	25 716 859
Materials	4 472 455	9 480 596
Balance of electrical power	2 988 720	2 108 010
Repairs	1 756 949	6 537 694
Fuel oil	16 744 267	1 023 031
MSAR emulsion	15 655 021	
Orimulsion	317 132	11 816 565
Other	1 171 769	1 679 383
Total:	366 945 402	244 859 888

11. Business segments

The Electrical Power Production segment and Thermal Power Production segment are distinguished within the Company. Information on the aforementioned segments as of December 31, 2008 is provided below.

December 31, 2008	Electrical power production (LTL)	Thermal power production (LTL)	Other (LTL)	Total (LTL)
Sales	375 811 652	11 924 224	-	387 735 876
Cost price	(346 485 906)	(20 459 496)	-	(366 945 402)
Segment's gross profit	29 325 745	(8 535 272)	-	20 790 473
Operating costs				(25 190 946)
Revenue from other activities				7 853 999
Costs of other activities				(1 779 164)
Interest revenue				1 139 917
Financing costs				(1 109 977)
Effect of change in the currency exchange rate				4 698 799
Profit tax costs				(2 046 259)
Net profit				4 356 842
Other information				
Assets	1 055 534 144	8 677 470	620 733 943	1 684 945 557
Liabilities	-	-	340 359 311	340 359 311
Acquisition of tangible and intangible assets	-	-	138 096 151	138 096 151
Depreciation and amortisation	26 661 842	219 200	-	26 881 042

12. Operating costs

Operating costs in 2008 up to December 31 comprised the following:

	December 31, 2008 (LTL)	December 31, 2007 (LTL)
Salaries and social insurance	7 288 675	6 528 933
Payments under the collective agreement	4 072 272	1 203 673
Insurance costs	860 944	489 776
Land lease fee	759 783	759 784
Asset protection costs	725 050	618 066
Real estate tax	524 300	498 245
Pollution tax	661 856	1 430 462
Business trips	332 144	481 782
Other payments/taxes	309 659	572 007
Repairs	73 110	396 496
Transportation costs	289 736	239 831
Communications and postal services	218 099	244 592
Checks and maintenance	131 802	200 800
Public utility services	79 024	330 007
Consultation and translation services	89 244	177 780
Employee training	195 045	109 193
Charity, aid	497 662	1 006 534
Unused holiday costs	511 054	284 975
Collected bad debts	(244 849)	(271 856)
Deferrals for bad debts	6 540 752	
Other	1 275 584	1 683 657
Total:	25 190 946	16 984 736

13. Other activity revenue and costs

Revenue from other activities and costs in 2008 up to December 31 comprised the following:

	December 31, 2008 (LTL)	December 31, 2007 (LTL)
Other activity revenue		
Material resource storage revenue	1 518 056	1 372 462
Distribution points servicing revenue	259 045	161 345
Lease revenue	124 742	131 626
Environmental pollution permits transfer revenue	-	21 191 560
Profit from future environmental pollution permit exchange transactions	2 069 949	-
Other revenue	306 707	616 080
Late charges	3 562 558	19 300 485
Received fines and penalties	12 942	57 123
	7 853 999	42 830 681
Other activity costs		
Material resource storage costs	(1 465 173)	(1 195 890)
Distribution points servicing costs	(250 191)	(127 765)
Other costs	(63800)	(40 830)
	(1 779 164)	(1 364 484)


14. Financing costs

Financing costs in 2008 up to December 31 comprised the following:

	December 31, 2008 (LTL)	December 31, 2007 (LTL)
Interest costs	7 839 671	3 592 465
Other financing costs	47 589	14 608
	<u>7 887 260</u>	<u>3 607 072</u>
To deduct: capitalised interest costs	<u>(6 777 283)</u>	<u>(3 410 940)</u>
Total:	<u>1 109 977</u>	<u>196 133</u>



Pranas Noreika
General Manager



Rolandas Jankauskas
Chief Financier